

# **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS OF MARCH 31, 2020

# CEZ GROUP

## CONSOLIDATED BALANCE SHEET

### AS OF MARCH 31, 2020

in CZK Millions

	Note	March 31, 2020	December 31, 2019
<b>ASSETS:</b>			
Plant in service		870,384	865,106
Less accumulated depreciation and impairment		(477,667)	(469,476)
<b>Net plant in service</b>		<b>392,717</b>	<b>395,630</b>
Nuclear fuel, at amortized cost		14,105	14,250
Construction work in progress, net		19,782	18,208
<b>Total property, plant and equipment</b>		<b>426,604</b>	<b>428,088</b>
Investments in associates and joint-ventures		3,524	3,283
Restricted financial assets, net		20,617	20,732
Other non-current financial assets, net		17,612	10,923
Intangible assets, net		34,453	37,429
Deferred tax assets		1,296	1,481
<b>Total other non-current assets</b>		<b>77,502</b>	<b>73,848</b>
<b>Total non-current assets</b>		<b>504,106</b>	<b>501,936</b>
Cash and cash equivalents, net		15,222	9,755
Trade receivables, net		65,659	65,030
Income tax receivable		1,497	707
Materials and supplies, net		9,069	8,889
Fossil fuel stocks		1,467	1,764
Emission rights		26,626	27,029
Other current financial assets, net		126,527	61,114
Other current assets, net		13,715	11,070
Assets classified as held for sale	4	19,505	17,280
<b>Total current assets</b>		<b>279,287</b>	<b>202,638</b>
<b>Total assets</b>		<b>783,393</b>	<b>704,574</b>

# CEZ GROUP

## CONSOLIDATED BALANCE SHEET

### AS OF MARCH 31, 2020

continued

	Note	March 31, 2020	December 31, 2019
<b>EQUITY AND LIABILITIES:</b>			
Stated capital		53,799	53,799
Treasury shares		(2,857)	(2,885)
Retained earnings and other reserves		217,397	199,847
<b>Total equity attributable to equity holders of the parent</b>		268,339	250,761
Non-controlling interests		5,200	4,603
<b>Total equity</b>		273,539	255,364
Long-term debt, net of current portion	5	152,794	142,570
Provisions		89,711	89,512
Other long-term financial liabilities		8,037	9,700
Deferred tax liability		23,419	20,626
Other long-term liabilities		33	31
<b>Total non-current liabilities</b>		273,994	262,439
Short-term loans	6	3,450	4,260
Current portion of long-term debt	5	28,124	25,063
Trade payables		56,842	66,244
Income tax payable		518	628
Provisions		16,689	14,253
Other short-term financial liabilities		117,453	63,187
Other short-term liabilities		6,839	7,544
Liabilities associated with assets classified as held for sale	4	5,945	5,592
<b>Total current liabilities</b>		235,860	186,771
<b>Total equity and liabilities</b>		783,393	704,574

# CEZ GROUP

## CONSOLIDATED STATEMENT OF INCOME

### FOR THE THREE MONTHS ENDED MARCH 31, 2020

in CZK Millions

	Note	1-3/2020	1-3/2019 *
Sales of electricity, heat, gas and coal		38,218	34,895
Sales of services and other revenues		17,815	16,088
Other operating income		1,013	866
<b>Total revenues and other operating income</b>	7	57,046	51,849
Gains and losses from commodity derivative trading		5,936	3,775
Purchase of electricity, gas and other energies		(14,230)	(14,409)
Fuel and emission rights		(6,605)	(5,369)
Services		(6,163)	(6,044)
Salaries and wages		(6,956)	(6,311)
Material and supplies		(2,506)	(2,016)
Capitalization of expenses to the cost of assets and change in own inventories		745	1,294
Depreciation and amortization		(7,330)	(6,989)
Impairment of property, plant and equipment and intangible assets		256	(512)
Impairment of trade and other receivables		14	18
Other operating expenses		(1,400)	(1,485)
<b>Income before other income (expenses) and income taxes</b>		18,807	13,801
Interest on debt		(1,371)	(1,364)
Interest on provisions		(488)	(466)
Interest income		130	110
Share of profit (loss) from associates and joint-ventures		(148)	(63)
Impairment of financial assets		161	37
Other financial expenses		(355)	(27)
Other financial income		456	187
<b>Total other income (expenses)</b>		(1,615)	(1,586)
<b>Income before income taxes</b>		17,192	12,215
Income taxes		(3,030)	(2,290)
<b>Net income</b>		14,162	9,925
Net income attributable to:			
Equity holders of the parent		13,805	9,824
Non-controlling interests		357	101
Net income per share attributable to equity holders of the parent (CZK per share):			
Basic		25.8	18.4
Diluted		25.8	18.4

\* The figures for comparative period 1-3/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of March 31, 2019 (Note 2.2.2).

# CEZ GROUP

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE THREE MONTHS ENDED MARCH 31, 2020

in CZK Millions

	Note	1-3/2020	1-3/2019 *
<b>Net income</b>		14,162	9,925
Change in fair value of cash flow hedges		2,098	6,983
Cash flow hedges reclassified to statement of income		(1,346)	2,080
Change in fair value of debt instruments		(67)	33
Disposal of debt instruments		-	1
Translation differences – subsidiaries		3,219	(470)
Translation differences – associates and joint-ventures		234	35
Share on other equity movements of associates and joint-ventures		(6)	(4)
Deferred tax related to other comprehensive income	8	(129)	(1,727)
<b>Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods</b>		4,003	6,931
Re-measurement gains (losses) on defined benefit plans		-	2
<b>Net other comprehensive income not to be reclassified from equity in subsequent periods</b>		-	2
<b>Total other comprehensive income, net of tax</b>		4,003	6,933
<b>Total comprehensive income, net of tax</b>		18,165	16,858
Total comprehensive income attributable to:			
Equity holders of the parent		17,511	16,747
Non-controlling interests		654	111

\* The figures for comparative period 1-3/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of March 31, 2019 (Note 2.2.2).

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

in CZK Millions

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1, 2019		53,799	(3,534)	(11,565)	(18,337)	388	113	213,857	234,721	4,560	239,281
Net income		-	-	-	-	-	-	9,824	9,824	101	9,925
Other comprehensive income		-	-	(445)	7,341	28	-	(1)	6,923	10	6,933
Total comprehensive income		-	-	(445)	7,341	28	-	9,823	16,747	111	16,858
Sale of treasury shares		-	215	-	-	-	-	(135)	80	-	80
Share options		-	-	-	-	-	7	-	7	-	7
Exercised and forfeited share options		-	-	-	-	-	(8)	8	-	-	-
Put options held by non-controlling interests		-	-	1	-	-	-	29	30	(30)	-
Balance as at March 31, 2019 *		53,799	(3,319)	(12,009)	(10,996)	416	112	223,582	251,585	4,641	256,226

\* The figures for comparative period 1-3/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of March 31, 2019 (Note 2.2.2).

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

continued

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Transla- tion difference	Cash flow hedge reserve	Debt instru- ments	Equity instruments and other reserves	Retained earnings	Total	Non- controlling interests	Total equity
Balance as at January 1, 2020		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364
Net income		-	-	-	-	-	-	13,805	13,805	357	14,162
Other comprehensive income		-	-	3,156	609	(53)	-	(6)	3,706	297	4,003
Total comprehensive income		-	-	3,156	609	(53)	-	13,799	17,511	654	18,165
Sale of treasury shares		-	28	-	-	-	-	(18)	10	-	10
Exercised share options		-	-	-	-	-	(1)	1	-	-	-
Put options held by non- controlling interests		-	-	13	-	-	-	44	57	(57)	-
Balance as at March 31, 2020		53,799	(2,857)	(9,668)	(2,222)	595	(161)	228,853	268,339	5,200	273,539

# CEZ GROUP

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE THREE MONTHS ENDED MARCH 31, 2020

in CZK Millions

	Note	1-3/2020	1-3/2019 *
<b>OPERATING ACTIVITIES:</b>			
<b>Income before income taxes</b>		17,192	12,215
<b>Adjustments of income before income taxes to cash generated from operations:</b>			
Depreciation and amortization		7,330	6,989
Amortization of nuclear fuel		1,029	997
(Gains) and losses on non-current asset retirements		(19)	(23)
Foreign exchange rate loss (gain)		(401)	(15)
Interest expense, interest income and dividend income		1,239	1,254
Provisions		2,181	479
Impairment of property, plant and equipment and intangible assets		(256)	512
Valuation allowances and other non-cash expenses and income		3,020	3,153
Share of (profit) loss from associates and joint-ventures		148	63
<b>Changes in assets and liabilities:</b>			
Receivables and contract assets		(1,270)	5,908
Materials, supplies and fossil fuel stocks		127	552
Receivables and payables from derivatives		(8,590)	(3,270)
Other assets		1,399	(1,006)
Trade payables		(8,031)	(5,953)
Other liabilities		(723)	(951)
<b>Cash generated from operations</b>		14,375	20,904
Income taxes paid		(1,027)	(991)
Interest paid, net of capitalized interest		(274)	(298)
Interest received		118	111
<b>Net cash provided by operating activities</b>		13,192	19,726
<b>INVESTING ACTIVITIES:</b>			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired		-	(339)
Additions to non-current assets, including capitalized interest		(6,782)	(7,003)
Proceeds from sale of non-current assets		29	939
Loans made		(5)	(10)
Repayment of loans		14	11
Change in restricted financial assets		56	(375)
<b>Total cash used in investing activities</b>		(6,688)	(6,777)



**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

continued

	Note	1-3/2020	1-3/2019 *
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		31,358	17,465
Payments of borrowings		(32,583)	(29,253)
Lease payments		(206)	(167)
Proceeds from other long-term liabilities		139	24
Payments of other long-term liabilities		(15)	(27)
Dividends paid to Company's shareholders		(22)	(13)
Sale of treasury shares		10	80
<b>Total cash used in financing activities</b>		<b>(1,319)</b>	<b>(11,891)</b>
Net effect of currency translation and allowances in cash		883	36
<b>Net increase in cash and cash equivalents</b>		<b>6,068</b>	<b>1,094</b>
<b>Cash and cash equivalents at beginning of period **</b>		<b>11,906</b>	<b>9,245</b>
<b>Cash and cash equivalents at end of period **</b>		<b>17,974</b>	<b>10,339</b>

Supplementary cash flow information:

Total cash paid for interest	294	319
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\* The figures for comparative period 1-3/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of March 31, 2019 (Note 2.2.2).

\*\* Presented values of cash and cash equivalents contain also cash and cash equivalents included on the balance sheet on the line Assets classified as held for sale.

# **CEZ GROUP**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **AS OF MARCH 31, 2020**

#### **1. The Company**

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech joint-stock company, owned 69.8% (70.1% of voting rights) at March 31, 2020 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group ("the Group"). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas, coal mining and providing energy services.

#### **2. Summary of Significant Accounting Policies**

##### **2.1. Financial Statements**

The interim consolidated financial statements for the three months ended March 31, 2020 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with [the Group's annual financial statement as of December 31, 2019](#).

##### **2.2. Changes in Accounting Policies**

###### **2.2.1. Adoption of New IFRS Standards in 2020**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of [the Group's annual financial statement as of December 31, 2019](#).

As of January 1, 2020, the Group did not adopt any new International Financial Reporting Standard that would have a significant impact on Group's interim consolidated financial statements.

## 2.2.2. Change of Reported Data for I. Quarter 2019

After the financial results for I. quarter 2019 were published, the accounting was made, which additionally brought more precise presentation of effects of hedging on individual quarters of 2019. The adjustments recorded affected financial results of the company ČEZ, a. s., and they relate to commodity derivatives, which hedge price risks of future sales of generated electricity with supply in 2019.

Quantification of the above-mentioned effects on reported amounts for I. quarter of 2019 is provided by the following tables (in CZK millions):

<b>CONSOLIDATED STATEMENT OF INCOME:</b>	<u>1-3/2019 adjustment</u>	<u>1-3/2019 adjusted</u>
Gains and losses from commodity derivative trading	2,008	3,775
Income before other income (expenses) and income taxes	2,008	13,801
Income before income taxes	2,007	12,215
Income taxes	(381)	(2,290)
<b>Net income</b>	<b>1,626</b>	<b>9,925</b>
Net income attributable to equity holders of the parent	1,626	9,824
Net income per share attributable to equity holders of the parent (CZK per share):		
Basic	3.1	18.4
Diluted	3.1	18.4

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:</b>	<u>1-3/2019 adjustment</u>	<u>1-3/2019 adjusted</u>
Net income	1,626	9,925
Change in fair value of cash flow hedges	(2,008)	6,983
Deferred tax related to other comprehensive income	382	(1,727)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods	(1,626)	6,931
Total other comprehensive income, net of tax	(1,626)	6,933
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>16,858</b>
Total comprehensive income attributable to equity holders of the parent	-	16,747

<b>CONSOLIDATED STATEMENT OF CASH FLOWS:</b>	<u>1-3/2019 adjustment</u>	<u>1-3/2019 adjusted</u>
Income before income taxes	2,007	12,215
Receivables and payables from derivatives	(2,007)	(3,270)

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as of March 31, 2019:</b>	<u>Adjustment</u>			<u>Adjusted</u>		
	Cash flow hedge reserve	Retained earnings	Total equity	Cash flow hedge reserve	Retained earnings	Total equity
Net income	-	1,626	1,626	-	9,824	9,925
Other comprehensive income	(1,626)	-	(1,626)	7,341	(1)	6,933
Total comprehensive income	(1,626)	1,626	-	7,341	9,823	16,858
<b>Balance as of March 31, 2019</b>	<b>(1,626)</b>	<b>1,626</b>	<b>-</b>	<b>(10,996)</b>	<b>223,582</b>	<b>256,226</b>

### 3. Seasonality of Operations

The seasonality within the segments Generation – Traditional Energy, Generation – New Energy, Distribution and Sales usually takes effect in such a way that the revenues and operating profits of these segments for the 1st and 4th quarters of a calendar year are slightly higher than the revenues and operating profits achieved in the remaining period.

### 4. Assets and Associated Liabilities Classified as Held for Sale

As of March 31, 2020 the Group performed an impairment test for any potential impairment loss related to assets and associated liabilities held for sale in the Bulgarian companies CEZ Razpredelenie Bulgaria AD, CEZ ICT Bulgaria EAD, CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD. The result of this test, reflecting the contractual sales price of EUR 335 million, was a reversal of a part of previously recognized impairment of assets in the amount of CZK 258 million, which was presented in the statement of income on the line Impairment of property, plant and equipment and intangible assets.

If the intention to sell should be abandoned in the future, or the sale should no longer be highly probable in the next twelve months respectively, CEZ Group does not expect material effect on net income caused by the reclassification from assets held for sale.

The assets classified as held for sale and associated liabilities at March 31, 2020 and December 31, 2019 are as follows (in CZK millions):

	March 31, 2020	December 31, 2019
	Bulgarian companies	Bulgarian companies
Property, plant and equipment, net	11,913	10,539
Intangible assets, net	500	461
Other non-current assets	149	145
Cash and cash equivalents	2,752	2,151
Trade receivables, net	3,328	2,875
Other current assets	863	1,109
Assets classified as held for sale	19,505	17,280
Long-term debt, net of current portion	1,455	1,357
Non-current provisions	196	183
Other long-term financial liabilities	317	247
Deferred tax liability	329	247
Short-term loans	325	170
Current portion of long-term debt	263	251
Trade payables	2,307	2,498
Current provisions	448	432
Other current liabilities	305	207
Liabilities associated with assets classified as held for sale	5,945	5,592

The assets and results associated with the assets classified as held for sale are reported in the operating segments Generation – New Energy, Distribution and Sales.

## 5. Long-term Debt

Long-term debt at March 31, 2020 and December 31, 2019 is as follows (in CZK millions):

	March 31, 2020	December 31, 2019
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,754	2,516
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,838	1,679
5.000% Eurobonds, due 2021 (EUR 750 million)	20,935	19,228
4.875% Eurobonds, due 2025 (EUR 750 million)	21,404	19,671
4.500% Eurobonds, due 2020 (EUR 750 million)	21,182	19,478
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,650	2,416
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,302	1,287
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) <sup>1)</sup>	2,829	2,602
4.102% Eurobonds, due 2021 (EUR 50 million)	1,383	1,273
4.375% Eurobonds, due 2042 (EUR 50 million)	1,382	1,271
4.500% Eurobonds, due 2047 (EUR 50 million)	1,381	1,269
4.383% Eurobonds, due 2047 (EUR 80 million)	2,241	2,062
3.000% Eurobonds, due 2028 (EUR 725 million)	20,710	19,133
0.875% Eurobonds, due 2022 (EUR 500 million)	13,663	12,675
0.875% Eurobonds, due 2026 (EUR 750 million)	20,320	18,847
4.250% U.S. bonds, due 2022 (USD 289 million)	7,332	6,578
5.625% U.S. bonds, due 2042 (USD 300 million)	7,623	6,817
4.500% Registered bonds, due 2030 (EUR 40 million)	1,094	1,006
4.750% Registered bonds, due 2023 (EUR 40 million)	1,097	1,056
4.700% Registered bonds, due 2032 (EUR 40 million)	1,140	1,048
4.270% Registered bonds, due 2047 (EUR 61 million)	1,665	1,531
3.550% Registered bonds, due 2038 (EUR 30 million)	817	780
Total bonds and debentures	156,742	144,223
Less: Current portion	(23,952)	(21,163)
Bonds and debentures, net of current portion	132,790	123,060
Long-term bank loans and lease liabilities:	24,176	23,410
Less: Current portion	(4,172)	(3,900)
Long-term bank loans and lease payables, net of current portion	20,004	19,510
Total long-term debt	180,918	167,633
Less: Current portion	(28,124)	(25,063)
Total long-term debt, net of current portion	152,794	142,570

<sup>1)</sup> The interest rate is based on inflation realized in Eurozone Countries (Harmonized Index of Consumer Prices – HICP) and is fixed through the closed swap to the rate 4.553% p. a.

## 6. Short-term Loans

Short-term loans at March 31, 2020 and December 31, 2019 are as follows (in CZK millions):

	March 31, 2020	December 31, 2019
Short-term bank and other loans	3,306	4,253
Bank overdrafts	144	7
Total	3,450	4,260

## 7. Revenues and Other Operating Income

The composition of revenues and other operating income for the first three months ended March 31, 2020 and 2019 is as follows (in CZK millions):

	1-3/2020	1-3/2019
Sales of electricity:		
Sales of electricity to end customers	14,450	13,142
Sales of electricity through energy exchange	557	585
Sales of electricity to traders	11,131	10,887
Sales to distribution and transmission companies	219	145
Other sales of electricity	5,344	5,481
Effect of hedging – presales of electricity	(663)	(2,937)
Effect of hedging – currency risk hedging	382	533
Total sales of electricity	31,420	27,836
Sales of gas, coal and heat:		
Sales of gas	2,699	2,953
Sales of coal	961	1,069
Sales of heat	3,138	3,037
Total sales of gas, coal and heat	6,798	7,059
Total sales of electricity, heat, gas and coal	38,218	34,895
Sales of services and other revenues:		
Distribution services	11,820	11,666
Other services	5,586	3,871
Rental income	46	44
Revenues from goods sold	216	281
Other revenues	147	226
Total sales of services and other revenues	17,815	16,088
Other operating income:		
Granted green and similar certificates	391	339
Contractual fines and interest fees for delays	68	-
Gain on sale of property, plant and equipment	20	26
Gain on sale of material	29	38
Other	505	463
Total other operating income	1,013	866
Total revenues and other operating income	57,046	51,849

Revenues from contracts with customers for the years ended March 31, 2020 and 2019 were CZK 56,268 million and CZK 53,343 million, respectively, and can be linked to the above figures as follows:

	1-3/2020	1-3/2019
Sales of electricity, heat, gas and coal	38,218	34,895
Sales of services and other revenues	17,815	16,088
Total revenues	56,033	50,983
Adjustments:		
Effect of hedging – presales of electricity	663	2,937
Effect of hedging – currency risk hedging	(382)	(533)
Rental income	(46)	(44)
Revenues from contracts with customers	56,268	53,343

## 8. Income Taxes

Tax effects relating to each component of other comprehensive income are the following (in CZK millions):

	1-3/2020			1-3/2019		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	2,098	(398)	1,700	6,983	(1,327)	5,656
Cash flow hedges reclassified to statement of income	(1,346)	256	(1,090)	2,080	(395)	1,685
Change in fair value of debt instruments	(67)	13	(54)	33	(5)	28
Disposal of debt instruments	-	-	-	1	-	1
Translation differences – subsidiaries	3,219	-	3,219	(470)	-	(470)
Translation differences – associates and joint-ventures	234	-	234	35	-	35
Share on other equity movements of associates and joint-ventures	(6)	-	(6)	(4)	-	(4)
Re-measurement gains (losses) on defined benefit plans	-	-	-	2	-	2
Total	<u>4,132</u>	<u>(129)</u>	<u>4,003</u>	<u>8,660</u>	<u>(1,727)</u>	<u>6,933</u>

## 9. Segment Information

The Group reports its result using six reportable operating segments:

- Generation – Traditional Energy
- Generation – New Energy
- Distribution
- Sales
- Mining
- Support Services

The segments are defined across the countries that CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that serves a single part of the value chain in the energy sector and is within the purview of individual members of the ČEZ, a. s. Board of Directors.

The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices.

In segment reporting, IFRS 16 is applied to external leases from the Group's perspective, but it is not applied to leases between individual operating segments, although in some cases the asset is leased to another segment internally.

The Group evaluates the performance of its segments based on earnings before interest, taxes, depreciation and amortization (EBITDA). The reconciliation of EBITDA to income before other income (expenses) and income taxes summarizes the following table (in CZK millions):

	1-3/2020	1-3/2019 *
Income before other income (expenses) and income taxes (EBIT)	18,807	13,801
Depreciation and amortization	7,330	6,989
Impairment of property, plant and equipment and intangible assets	(256)	512
Gains and losses on sale of property, plant and equipment, net **	(20)	(24)
EBITDA	25,861	21,278

\* The figures for comparative period 1-3/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of March 31, 2019 (Note 2.2.2).

\*\* Gains on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating income. Losses on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating expenses.



The following tables summarize segment information by operating segments for the three months ended March 31, 2020 and 2019 and at December 31, 2019 (in CZK millions):

March 31, 2020:

	Gene- ration – Traditional Energy	Gene- ration – New Energy	Distribu- tion	Sales	Mining	Support Services	Combined	Elimination	Consoli- dated
Revenues and other operating income – other than intersegment	18,493	1,626	11,684	23,903	1,038	302	57,046	-	57,046
Revenues and other operating income – intersegment	10,824	431	146	1,963	1,625	1,032	16,021	(16,021)	-
Total revenues and other operating income	29,317	2,057	11,830	25,866	2,663	1,334	73,067	(16,021)	57,046
EBITDA	14,984	1,444	5,821	1,850	1,377	387	25,863	(2)	25,861
Depreciation and amortization	(3,808)	(466)	(1,745)	(329)	(678)	(304)	(7,330)	-	(7,330)
Impairment of property, plant and equipment and intangible assets	-	-	250	-	6	-	256	-	256
EBIT	11,181	978	4,332	1,523	709	86	18,809	(2)	18,807
Interest on debt and provisions	(1,730)	(55)	(188)	(83)	(52)	(28)	(2,136)	277	(1,859)
Interest income	213	53	29	44	31	37	407	(277)	130
Share of profit (loss) from associates and joint-ventures	(5)	-	(199)	51	5	-	(148)	-	(148)
Income taxes	(1,871)	(80)	(722)	(258)	(145)	46	(3,030)	-	(3,030)
Net income	8,038	885	3,410	1,177	580	72	14,162	-	14,162
Identifiable assets	246,289	28,693	117,207	6,697	22,210	5,510	426,606	(2)	426,604
Investment in associates and joint-ventures	2,778	255	-	307	184	-	3,524	-	3,524
Unallocated assets									353,265
Total assets									783,393
Capital expenditure	1,555	140	2,206	154	256	114	4,425	(14)	4,411

March 31, 2019 \*:

	Gene- ration – Traditional Energy	Gene- ration – New Energy	Distribu- tion	Sales	Mining	Support Services	Combined	Elimination	Consoli- dated
Revenues and other operating income – other than intersegment	16,691	1,725	11,216	21,007	1,134	76	51,849	-	51,849
Revenues and other operating income – intersegment	11,365	134	150	2,133	1,677	1,061	16,520	(16,520)	-
Total revenues and other operating income	28,056	1,859	11,366	23,140	2,811	1,137	68,369	(16,520)	51,849
EBITDA	12,020	1,184	5,378	688	1,539	468	21,277	1	21,278
Depreciation and amortization	(3,795)	(457)	(1,510)	(219)	(713)	(295)	(6,989)	-	(6,989)
Impairment of property, plant and equipment and intangible assets	(15)	(12)	(490)	-	5	-	(512)	-	(512)
EBIT	8,213	715	3,382	478	832	180	13,800	1	13,801
Interest on debt and provisions	(1,673)	(59)	(205)	(68)	(54)	(35)	(2,094)	264	(1,830)
Interest income	207	34	37	43	24	29	374	(264)	110
Share of profit (loss) from associates and joint-ventures	(9)	-	(79)	22	3	-	(63)	-	(63)
Income taxes	(1,325)	4	(651)	(120)	(163)	(35)	(2,290)	-	(2,290)
Net income	5,496	759	2,522	342	671	135	9,925	-	9,925
Capital expenditure	1,743	360	1,796	181	427	143	4,650	(21)	4,629
December 31, 2019:									
	Gene- ration – Traditional Energy	Gene- ration – New Energy	Distribu- tion	Sales	Mining	Support Services	Combined	Elimination	Consoli- dated
Identifiable assets	249,324	27,712	116,132	6,616	22,612	5,692	428,088	-	428,088
Investment in associates and joint- ventures	2,589	235	-	280	179	-	3,283	-	3,283
Unallocated assets									273,203
Total assets									704,574

\* The figures for comparative period 1-3/2019 were adjusted compared to figures presented in the interim consolidated financial statements as of March 31, 2019 (Note 2.2.2).

## **10. COVID-19 Pandemic**

According to the current evaluation of the impacts of the COVID-19 pandemic on the Group, the existence of no Group company is endangered. At present, the reliability of the estimate of the long-term effects of the COVID-19 pandemic is severely limited. The negative impact on the Group's operations is expected only for the year 2020 and to a relatively limited extent with regard to the high level of cash flow hedging. The COVID-19 pandemic is considered an indicator of a possible impairment of the Group's assets, and therefore tests of recoverable amounts have been updated using the best estimates available. As of March 31, 2020, the result of these tests of the recoverable amount of assets did not lead to the recognition of impairment of non-current assets or to an impairment of goodwill. The Group has taken adequate measures to eliminate the risks and impacts of the COVID-19 pandemic on key operations and employee health.

## **11. Events after the Balance Sheet Date**

On April 14, 2020, the Board of Directors of ČEZ, a. s. decided to propose the gross dividend amounting to CZK 34 per share.